

Message Text

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PAGE 01 PARIS 20257 01 OF 02 121513Z

45

ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-07 NSC-05

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ACDA-07 SAJ-01 IO-13 /099 W

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R 121504Z JUL 76

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 2887

INFO AMEMBASSY MOSCOW

USMISSION USBERLIN

USMISSION EC BRUSSELS

AMEMBASSY WARSAW

AMEMBASSY SOFIA

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY BONN

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E.O. 11652: N/A

TAGS: EEWT, FR, UR, US, EALR

SUBJECT: ELEVENTH SESSION OF THE PERMANENT FRANCO-SOVIET MIXED COMMISSION

REF: PARIS 14837; PARIS 19793

1. THE ELEVENTH SESSION OF THE PERMANENT FRANCO-SOVIET MIXED COMMISSION, HELD IN PARIS FROM 29 JUNE TO 2 JULY, 1976, PROVIDED AN OPPORTUNITY FOR BOTH GOVERNMENTS TO REVIEW THE PROGRESS OF THEIR TRADE ON THE TENTH ANNIVERSARY OF GENERAL CHARLES DE GAULLE'S VISIT TO MOSCOW WHICH MARKED THE DEBUT OF FRANCE'S "SPECIAL" RELATIONS WITH THE USSR. IN THE PAST TEN YEARS THE TOTAL TRADE BETWEEN FRANCE AND THE USSR

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PAGE 02 PARIS 20257 01 OF 02 121513Z

INCREASED ON AN ANNUAL BASIS FROM 1 TO 8 BILLION

FRENCH FRANCS. MINISTRY OF FOREIGN TRADE OFFICIALS ANTICIPATE THE TRADE IN 1976 WILL REACH 10 BILLION FRANCS.

2. TWO EVENTS HIGHLIGHTED THE COMMISSION'S MEETING, THE ANNOUNCEMENT OF THE AGREEMENT ON ACCIDENTAL USE OF NUCLEAR WEAPONS, (REPORTED SEPARATELY), AND THE SIGNATURE OF A 1.3 BILLION FRANC CONTRACT WITH THE FRENCH FIRM, PECHINEY-UGINE-KUHLMANN FOR THE CONSTRUCTION OF AN ALUMINA PLANT NEAR ODESSA, (INITIALLY, REPORTED IN REFTEL). AN OFFICIAL OF THE FRENCH MINISTRY OF FOREIGN TRADE DIRECTLY CONCERNED WITH THE NEGOTIATIONS CHARACTERIZED THE WORKING SESSIONS OF THE COMMISSION AS HAVING BEEN HELD IN A SPIRIT OF EXCELLENT COOPERATION VOID OF NEGATIVE POLITICAL OVERTONES WHICH HAD BEEN NOTED IN THE PRESS. THE OFFICIAL TOLD EMBOFF THAT HE HAD NOT DISCERNED ANY ADVERSE EFFECT ON FRENCH-SOVIET TRADE DUE TO POLITICAL FACTORS. IF THERE WAS A STUMBLING BLOCK IT WAS THE DIFFICULT NEGOTIATION OF MUTUALLY ACCEPTABLE BUY-BACK AND/OR COMPENSATION AGREEMENTS WHICH WAS THE PRIME CAUSE OF DIFFICULTIES, (AS IN THE CASE OF THE PECHINEY NEGOTIATIONS).

3. THE PECHINEY CONTRACT FOR AN ALUMINA PLANT, INCLUDING A SEPARATE CONTRACT FOR TECHNICAL KNOW-HOW, WAS SIGNED AFTER LONG NEGOTIATIONS OVER BUY-BACK PRICING FACTORS. A COMPLICATED FORMULA "COCKTAIL" ALONG THE LINES REPORTED IN REFTEL WAS FINALLY AGREED TO; THE PRICE IS PEGGED TO A COMBINATION OF THE INTERNATIONAL ALUMINIUM PRICE (PRODUCERS) AND PRICES AT WHICH PECHINEY SELLS TO INDEPENDENT (NON-SUBSIDIARY) PURCHASERS AS DETERMINED BY INDEPENDENT AUDITORS. EXTREME PRICE LIMITS ARE SET WHERE THE FRENCH CAN CEASE PURCHASING OR THE SOVIETS CAN REFUSE SALES. PECHINEY IS OBLIGED TO PURCHASE UP TO 50,000 TONS OF ALUMINIUM PER YEAR, ROUGHLY FOR THE DURATION OF THE 8.5 YEAR CREDIT AGREEMENT TIED TO THE CONTRACT. A CONTRACT FOR A SECOND MAJOR ALUMINIUM COMPLEX IN SIBERIA IS UNDER NEGOTIATION BUT HAS NOT YET BEEN LIMITED OFFICIAL USE

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PAGE 03 PARIS 20257 01 OF 02 121513Z

SIGNED. THE MINISTRY OFFICIAL COMMENTED THAT HE FELT THE FRENCH HAD SOME ADVANTAGE IN PURSUING THE ADDITIONAL ALUMINIUM PROCESSING PLANT CONTRACTS HAVING ALREADY WON THE FIRST CONTRACT.

4. THE COMMISSION DEVELOPED GUIDELINES FOR COUNTER-PURCHASE OR COMPENSATION CONTRACTS: A) THE BUY-BACK AGREEMENTS WOULD NOT BE LIMITED TO A SPECIFIC FIRM

BUT COULD BE NEGOTIATED AMONG SEVERAL GROUPS OF FIRMS,
B) THEY WOULD NOT APPLY TO PRODUCTS WHICH THE
FRENCH CONSIDER "SENSITIVE," I.E. THOSE INDUSTRIES
WHERE FRANCE'S OWN PRODUCTION CAPACITY EXCEEDS HER
CONSUMPTION, C) THE PRICE SHOULD CORRESPOND TO REAL
COSTS INSTEAD OF BEING KEYED TO THE INTERNATIONAL
MARKET, AND E) THE FRENCH IMPORTER OF COMPENSATION
GOODS MUST HAVE THE RIGHT TO RE-EXPORT THE GOODS
TO THIRD COUNTRY MARKET. (FOREIGN TRADE MINISTRY
OFFICIAL COMMENDED JULY 2 LES ECHOS ARTICLE AS

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PAGE 01 PARIS 20257 02 OF 02 121512Z

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LIMITED OFFICIAL USE SECTION 02 OF 02 PARIS 20257

N ACCURATE REFLECTION OF MEETINGS.)

5. AN ADDITIONAL MAJOR FRENCH SOVIET CONTRACT WHICH IS TO BE SIGNED IN THE NEXT FEW WEEKS IS WITH THE FRENCH FIRM, LMT, FOR THE CONSTRUCTION IN THE USSR OF A 1 MILLION LINE TELEPHONE PROCESSING CENTER. THE FRENCH FIRM CIT-ALCATEL IS ALSO NEGOTIATING FOR A 250,000 LINE TELEPHONE CENTER CONTRACT, BUT ACCORDING TO THE MINISTRY OFFICIAL, THE CONTRACT WILL NOT BE READY FOR SIGNATURE FOR AT LEAST ANOTHER YEAR.

6. FRENCH EXPORT CONTRACTS TO THE USSR (INCLUDING THE PECHINEY SALE) THROUGH JULY 2 1976 AMOUNT TO LIMITED OFFICIAL USE

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PAGE 02 PARIS 20257 02 OF 02 121512Z

2.516 BILLION FRANCS (DREE FIGURES). THE EVENTUAL SIGNING OF THE REPORTED 2.3 BILLION FRANC LMT TELECOMMUNICATION CONTRACT WILL PUT FRANCE'S EXPORTS NEAR THE FIVE BILLION FRANC LEVEL. FOREIGN TRADE MINISTRY OFFICIAL TOLD EMBOFF THAT AT CURRENT RATE OF SOVIET PURCHASES, THE FIVE YEAR (1975-79) 12.5 BILLION FRANC LINE OF CREDIT TO THE USSR ESTABLISHED AT THE RAMBOUILLET MEETING WITH BREZHNEV IN 1974 WILL HAVE TO BE RENEGOTIATED PRIOR TO ITS EXPIRATION. FRANCE'S EXPORTS TO THE USSR IN 1975 WERE 4.3 BILLION FRANCS.

7. THE SAME MINISTRY SOURCE PREDICTED THAT FRANCE, TO HELP REDRESS ITS TRADE IMBALANCE WITH THE SOVIET UNION WILL INCREASE ITS SOVIET PETROLEUM PURCHASES, AND THEREFORE, WILL REDUCE ITS PURCHASES FROM OTHER SOURCES, MOST LIKELY FROM NORTH AFRICA.

8. COPY OF THE MIXED COMMISSION COMMUNIQUE IS BEING POUCHED TO MOSCOW AND DEPARTMENT.
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